



S. KIMBERLY BELSHÉ
SECRETARY

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CONTACT: Nicole Kasabian Evans
Sabrina Demayo Lockhart
(916) 654-3304

GOVERNOR SECURES HOSPITAL SAFETY NET, NEGOTIATES \$18.4 BILLION FEDERAL WAIVER FOR HEALTH CARE FOR POOR AND UNINSURED

SACRAMENTO – Gov. Arnold Schwarzenegger reached agreement with the federal government on a new \$18.4 billion federal waiver, with \$3.3 billion in new federal funds, for safety net hospitals to support vital health care services for Medi-Cal beneficiaries and the uninsured.

“Through tough and lengthy negotiations with the federal government, we have the best hospital financing deal in the nation,” said Gov. Schwarzenegger. “Consistent with my priority to protect health care for our most vulnerable Californians, this waiver agreement stabilizes our essential safety net hospitals and brings in new federal dollars to California.”

In 2004, the federal government told states unequivocally that past accounting practices relied upon by safety net hospitals would have to stop. In addition, Congress recently called for a \$10 billion cut to the Medicaid program. In response to these announcements, the Administration worked with the federal government for the past year to negotiate the best possible hospital financing waiver for California’s critical safety net hospitals. The agreement provides California with an unprecedented level of funding for these hospitals, bringing an additional \$3.3 billion to the state, while using new financing strategies that meet federal Medicaid standards.

“This waiver agreement is a victory for those who only have our public health system to rely upon for important medical care,” said Kim Belshé, Secretary of the California Health and Human Services Agency, at a Capitol news conference. “The Governor has once again proven his commitment to health care, first by increasing health care spending by \$1 billion in his proposed budget, and now by bringing in \$3.3 billion in new federal dollars to fund safety net hospitals caring for Medi-Cal beneficiaries and the uninsured.”

The waiver agreement supports a common goal of U.S. Department of Health and Human Services Secretary Michael Leavitt and the Governor to reform the state’s health care system and expand coverage. The waiver also promotes a cornerstone of the Governor’s Medi-Cal redesign proposal by supporting California to enroll more Medi-Cal beneficiaries into managed care. Organized systems of care ensure beneficiaries receive preventive, coordinated care, which results in improved health outcomes. In addition, the waiver will expand health coverage of low-income, uninsured residents in the state.

“I want to thank Secretary Leavitt and his staff for their work with my Administration over the past year to bring this necessary federal funding to California,” said Gov. Schwarzenegger. “This waiver advances our common goal of stabilizing and supporting the state’s safety net, while at the same time making progress toward achieving important reforms in our health care delivery system.”

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To avoid interruptions in payments to safety net hospitals, implementing legislation must be enacted before the current legislative session ends in September. The Administration will work with lawmakers, hospitals and counties to ensure that safety net hospitals receive at least the same amount of money under the new process, establish protections for private hospital funding and safeguard safety net providers as much as possible as managed care expands.

HOSPITAL FINANCING WAIVER FACTS

- The new waiver agreement totals \$18.4 billion and nearly quadruples funding for the uninsured from the state's current waiver, which was negotiated in 2002.
- No other state has been able to negotiate a waiver as favorable as California.
- The new waiver brings California \$3.3 billion in new federal funding.
- The state's current waiver expires on June 30, 2005. Without a new waiver, the state would lose its authority to make \$2 billion in payments for vital medical services offered by safety net providers.
- There are 146 safety net hospitals throughout California.

MEDI-CAL FACTS

- A recent Public Policy Institute of California (PPIC) study found that Medi-Cal costs will double over the next decade if left unchecked.
- Medi-Cal spending constitutes about 15 percent of all General Fund expenditures, second only to K-12 education. The PPIC study found that without reform, Medi-Cal spending will grow to 21 percent of the General Fund by 2015.
- Medi-Cal is the state's health care program for 6.8 million low-income children and parents, pregnant women, seniors and people with disabilities.
- Twenty-five percent of beneficiaries account for 94% of all Medi-Cal costs, most of whom are not in managed care programs.
- According to The Henry J. Kaiser Family Foundation, California ranks 28th in the nation in per capita Medicaid expenditures. The state spends less per beneficiary than most other states due to a variety of factors, including program efficiencies and a lower percentage of elderly and disabled beneficiaries.

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